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USSR Weekly Review

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USSR WEEKLY REVIEW

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Note: As a result of a reorganization, effective 11 October 1977, intelligence publications formerly issued by the Directorate of Intelligence and by the National Intelligence Officers are now being issued by the National Foreign Assessment Center. Publication covers and titles have been adjusted to reflect this change. This publication was formerly titled *The USSR Regional and Political Analysis*.

This publication is prepared by the USSR Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. The views presented are the personal judgments of analysts on significant events or trends in Soviet foreign and domestic affairs. Although the analysis centers on political matters, it discusses politically relevant economic or strategic trends when appropriate. Differences of opinion are sometimes aired to present consumers with a range of analytical views. Comments and queries are welcome. They should be directed to the authors of the individual articles or to

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A Status Report on Soviet-Japanese Relations

The Soviet Union is continuing efforts, begun early last summer, to repair the damage done to its relations with Japan by the MIG-25 incident and the protracted fishing negotiations. The Soviets would like to counterbalance Japan's present tilt toward China and reduce Peking's opportunities to capitalize on Japanese differences with the Soviet Union. Moscow's current concern is Chinese lobbying for an early signing of the Sino-Japanese peace and friendship treaty.

The Soviets have moderated the stridently anti-Japanese tone of the Soviet press, and Soviet spokesmen are now trying to put relations in the best possible light, mainly by stressing the mutual benefits of economic cooperation. To date Moscow has not made any major moves toward rapprochement, but some officials have again raised the issue of peace treaty talks. Both sides remain deadlocked, however, over the major impediment to the resumption of peace treaty negotiations--the northern territories. During a conversation held last week at the UN between the Soviet and Japanese Foreign Ministers, both sides repeated their incompatible positions on the return of the four islands to Tokyo. As a possible compromise, Premier Kosygin recently reiterated a Soviet proposal for a "good neighbor" treaty as an interim step toward full normalization of relations.

The Soviets are concerned by the current Japanese tilt toward China and accompanying pro-Chinese sentiment that has some popularity in Japan. Anti-Soviet attitudes generated by Moscow's heavyhandedness over the MIG incident and during the fishing talks have further complicated the situation.

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Meanwhile, however, the Soviets have begun to combine the carrot with the stick in their approach to the Japanese. Using various channels [redacted]

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[redacted] Moscow is trying to convince the Japanese that their long-term interests will be better served by economic cooperation and good relations with the USSR than by improved relations with China. [redacted]

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[redacted]

A leading Soviet commentator on Japanese affairs, I. Latyshev, has used his columns in *Pravda* to promote the same idea and to appeal to Japanese business circles to lobby against anti-Soviet attitudes among Japanese policymakers. Latyshev has cited the Japanese Government's "constructive" attitude toward the interim fishing agreements, the five-year extension of a trade and payments agreement, and the meetings of the Japanese-Soviet Economic Committee--the first in three years--as evidence that the will for better relations exists, despite the fact that the fishing talks were marred by considerable difficulties and the Economic Committee meetings failed to produce any major new agreements.

In fact, the better-relations-through-more-business-cooperation theme does not have much appeal for Tokyo. Soviet-Japanese trade is more important for the USSR than Japan, and the Japanese have displayed little interest in a Soviet-proposed long-term economic pact. They have, however, agreed in principle to a long-term trade agreement with China.

Although the Soviets have not made any major moves toward rapprochement, there have been hints that they

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would be willing to try again to negotiate a peace treaty,
but only on their terms.

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The concept of a good neighbor treaty as a means of circumventing the contentious northern territories problem was broached several years ago when both sides had reached an impasse over the peace treaty talks. While the Japanese have indicated that they are interested in beginning peace treaty negotiations, they remain adamant that such talks be contingent upon a return of the four islands at the southern tip of the Kuriles. For their part, the Soviets continue to assert that this is not even open to discussion.

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At present, the Soviets really have little to offer the Japanese on either the economic or the diplomatic front as an incentive to improve relations. Tokyo has pressed Moscow repeatedly for a visit by its Foreign Minister to the Soviet capital, but the Soviets have continued to delay. This visit will not occur before the beginning of 1978 at the earliest. The Soviet tactic seems to be to hold out the hint of some improvement while not offering any real compromises, perhaps with the objective of gradually steering Japan away from China.

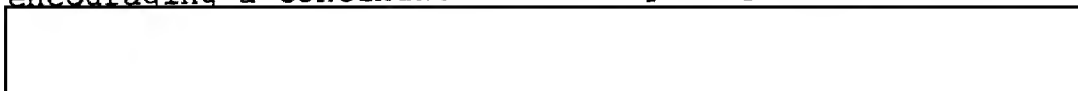
At the same time, the Soviet press continues to attack Tokyo's search for a broader regional political and economic role and to raise the specter of resurgent militarism in Tokyo aided and abetted by Washington. The private comments of Soviet foreign policy experts suggest, however, that Moscow's real assessment may be more

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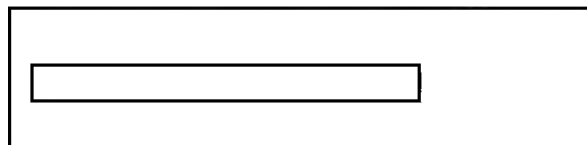
subtle and at variance with the current propaganda line. According to Vladimir Lukin, chief of the Pacific Ocean Area Section at the Institute of the USA and Canada, Japan has indeed moved away from its previously close coordination with American policy and toward a more independent, albeit limited, regional role, but Washington still exercises a degree of "control" over Japanese policy, and Moscow welcomes this. Lukin was in effect encouraging a continuation of US policy toward Japan.

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More Bad News for the Soviet Consumer

The price of Soviet passenger vehicles will increase next January, according to rumors circulating in Moscow. Prices of new model cars are already higher than most consumers can afford. Although the average monthly wage has increased about 13 percent since 1972 to 150 rubles per month, the price of new model cars has increased even faster. The price of the four-door, five-passenger Moskvitch was raised from 4,750 rubles in 1975 to 6,100 rubles in 1976, an increase of about 22 percent. The authorities claimed the increase was necessary because of the addition of disc brakes, an improved electrical system, new wheels and shock absorbers, a changed interior, and cosmetic body changes.

The average Soviet family with two incomes requires 20 months of earnings to purchase the Moskvitch or the lowest priced model of the popular Zhiguli (exported as Lada), which sells for 6,030 rubles. The purchase of a moderately priced car in the US requires about eight months of earnings of one average US wage earner.

Based on recent purchasing trends, the Soviet consumer will not be deterred from seeking or purchasing a car. Between 1971 and 1975, Soviet consumer purchases of passenger vehicles increased 90 percent. In 1976, the Soviet consumer purchased 82 percent of all Soviet cars produced in that year.



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Labor Problems at Kama

Labor problems are increasing at the Kama River Truck Plant, and if they are not resolved, they could add to the transportation bottlenecks that are expected in the early 1980s.

Soviet production workers are quitting before the expiration of their two-year contracts, mainly because the 40 rubles per month that had been added to monthly earnings because of the priority assigned to the construction of the Kama plant was canceled without warning in July 1977. This bonus raised the level of real earnings for an average worker at Kama to 220 rubles per month compared with an average wage of about 150 rubles per month nationwide.

In addition, workers have become disillusioned with the poor food, particularly when they can see that much better food is available to on-site foreign personnel. Kama also is in an isolated area and there is a pervasive lack of other consumer goods.

Finally, the presence of convict labor has also created an unsettling effect on Kama workers. Convicts are being used increasingly to fill the gaps in the construction force and have been involved in disorderly conduct, muggings of foreign technicians, and other civil disorders.

As the more skilled workers have quit, they have been replaced by less competent laborers, resulting in damage--in some cases beyond repair--to imported production machinery. Kama began production in 1976, two years late. Labor problems, if they continue, could set back the date for capacity production beyond the scheduled date of 1981. The Soviet economy, meanwhile, is desperately in need of the large size trucks Kama is designed to produce.

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